National Energy Board | Office national de l'énergie

National Energy Board

Report on Plans and Priorities

2009-2010
Part III Estimates

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Chair and CEO
National Energy Board

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Canada

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Message from the Chair and CEO

In the quickly evolving economic climate, Canadians are responding with strategic approaches to energy choices. As outlined in its Report on Plans and Priorities for 2009-2010, the National Energy Board (NEB or Board) is positioned to provide the expert leadership required for regulation of infrastructure that meets the Canadian public interest.

The current environment includes uncertain and volatile financial markets, challenges in accessing energy supplies, increasing environmental concerns and growing public involvement in the development of energy infrastructure. At the same time, Canada's energy infrastructure continues to develop in keeping with growing demand for energy by consumers. For example, expansion of the crude oil pipeline system is occurring with construction underway on Enbridge's Alberta Clipper, Southern Lights and Line 4 Buildback projects and on TransCanada Pipeline's Keystone project. Kinder Morgan's Anchor Loop project was just recently completed. These expansions will allow increased exports and continue to add value to the Canadian economy. In this context, the NEB, within the mandate set by Parliament, has a critical role in promoting energy infrastructure which operates safely and with minimal environmental impact. The NEB also provides industry, policy makers and the public with objective, independent and timely information on Canada's energy markets to assist in decision-making for energy infrastructure and markets.

In 2009-2010, the NEB will be focusing on working with industry to further promote safety and pipeline integrity through the sharing of information and effective reporting. The NEB must also address increasing stakeholder concerns so that the rights and interests of those affected by the development of energy infrastructure are respected, including landowners and Aboriginal people. The NEB is meeting these demands by enhancing its regulatory programs, and ensuring an experienced expert staff complement. An investment in the NEB's information systems is required at this time in our goal of improving regulatory effectiveness and efficiency through a risk-based lifecycle management system and to make information essential to the investment in energy development in frontier areas more readily accessible.

Subject to a decision currently before the Board, commencing in 2009 the NEB may assume regulatory responsibility over certain pipelines and related facilities in Alberta currently under provincial jurisdiction. Depending on the Board's decision, this has the potential to result in 50% more pipelines and related facilities requiring NEB regulatory oversight. To successfully implement these regulatory and systems enhancements, and to meet new and ongoing workload demands, the NEB will require additional resources, and is developing a proposal for the Treasury Board.

NEB processes are often part of broader regulatory processes; we continue to partner with other departments and agencies in order to promote regulatory efficiency and effectiveness, including improving the regulatory framework for the North.

As the Board continues to work hard to balance and integrate public safety, environmental interests and economic efficiency in arriving at decisions that are in the Canadian public interest, I am confident that Canadians will be able to make the best choices for the tremendous endowment of energy resources they possess.

Gaétan Caron
Chair and CEO

Section I
Agency Overview

1.1 Summary Information

Raison d'être

The NEB's corporate purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest[1] within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

The NEB's corporate vision is that it is an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

Excellence at the NEB is driven by organizational and personal commitment to three key corporate values:

- Integrity: We are fair, transparent, and respectful
- Regulatory Leadership: We are responsive, proactive and innovative
- Accountability: We support and hold each other accountable to deliver timely, high quality results in the Canadian public interest

Responsibilities

The NEB is an independent federal agency that regulates several aspects of Canada's energy industry. Its purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. The NEB regulates the construction and operation of pipelines that cross international or provincial borders, tolls and tariffs on these pipelines, international power lines and designated interprovincial power lines. The NEB also regulates natural gas imports and exports, oil and natural gas liquid exports, electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. In addition, the NEB provides Canadians with information about Canadian energy markets. The NEB reports to Parliament through the Minister of Natural Resources.

The main functions of the NEB, which was established in 1959, are set out in the *National Energy Board Act* (NEB Act). The Board has additional regulatory responsibilities under the *Canada Oil and Gas Operations Act* (COGO Act) and under certain provisions of the *Canada Petroleum Resources Act* (CPR Act) for oil and gas exploration and activities on frontier lands not otherwise regulated under joint federal/provincial accords. In addition, Board inspectors

1 The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that changes as society's values and preferences evolve over time.

are appointed Health and Safety officers by the Minister of Labour to administer Part II of the *Canada Labour Code* as it applies to facilities regulated by the Board.

The NEB's regulatory responsibilities for public safety, security and protection of the environment are set out in the NEB Act and the COGO Act. The NEB is also required to meet the requirements of the *Canadian Environmental Assessment Act* (CEA Act) and the *Mackenzie Valley Resource Management Act* where the Board's environmental responsibilities span three distinct phases: evaluating potential environmental effects of proposed projects; monitoring and enforcement of terms and conditions during and after construction; and monitoring and regulation of ongoing operations, including deactivation and abandonment. Through the *Public Safety Act, 2002* (Bill C-7) the NEB has legislative authority for the security of pipelines and international power lines.

The NEB is an independent regulatory tribunal guided by the principles of natural justice and procedural fairness. The Board is a court of record and has certain powers of a superior court of record including those for attendance, swearing and examination of witnesses, the production and inspection of documents, the enforcement of its orders and the inspection of property. The Board's regulatory decisions and the reasons for them are generally issued as public documents.

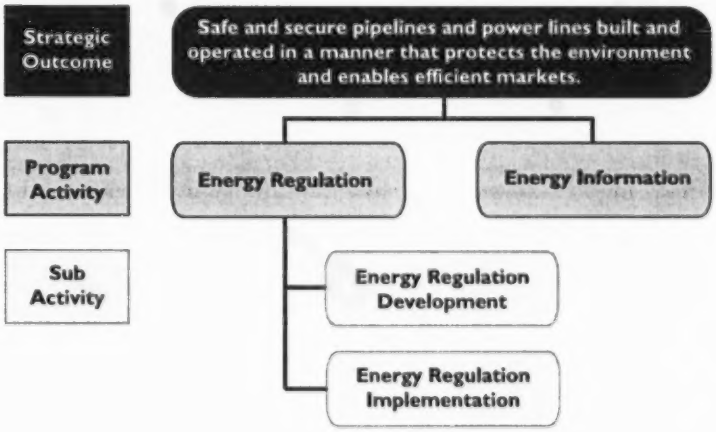
Strategic Outcome

In order to effectively achieve its purpose, the NEB strives to achieve the following strategic outcome:

> Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient markets.

Program Activity Architecture

The chart below illustrates the NEB's framework of program activities and sub-activities through which the Board works toward achieving its Strategic Outcome.


Strategic Outcome
Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient markets.
Program Activity
Energy Regulation
Energy Information
Sub Activity
Energy Regulation Development
Energy Regulation Implementation

Program Activity Architecture Crosswalk

The NEB modified its Program Activity Architecture (PAA) to meet Treasury Board requirements; the revised PAA was approved by Treasury Board in 2008. The table below describes the changes and why the modifications were necessary.

	Previous Title	Revised Title(s)	Rationale for Modification
Strategic Outcome	Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within the National Energy Board's jurisdiction.	Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient markets.	The changes in the Strategic Outcome statement were made to meet Treasury Board requirements regarding clarity, being long-term and enduring in nature, measurability, representation of an end-state, and existing at an appropriate level for the organization.
Program Activity	Energy Regulation and Advice	Energy Regulation Energy Information	The NEB's single program activity was split into two major programs: Energy Regulation and Energy Information. The changes in the PAA framework are based on Treasury Board requirements regarding intended impacts, clear governance, unique expected results, unique performance indicators and reportability as a unique element.
	Internal Services	No change	No change

The table below illustrates the redistribution of financial resources in fiscal year 2009-10 as a result of the PAA changes:

	Previous Title	Financial Resources (million $)	Revised Title(s)	Redistribution of Financial Resources (million $)
Program Activity	Energy Regulation and Advice	44.4	Energy Regulation Program	20.7
			Energy Information Program	7.3
			Internal Services	16.4

1.2 Planning Summary

Financial Resources and Human Resources

	2009-2010	2010-2011	2011-2012
Financial Resources (million $)	44.4	36.7	36.7
Human Resources (Full Time Equivalents)	347.6	296.6	296.6

The financial and human resources table above provides a summary of total planned spending for next three fiscal years.

The figures in this table are from the NEB's current Main Estimates. Additional funding made available through the NEB's 2007 Treasury Board submission ends for 2010-2011. The NEB will be presenting a business case to Treasury Board in 2009 for resources to meet ongoing workload pressures past 2010, as discussed in the Expenditure Profile section.

Strategic Outcome: Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient markets.						
Performance Indicators		**Targets**				
Frequency of disabling injuries and pipeline failures		0 disabling injuries and 0 pipeline failures; assessed via reported incidents and year by year improvement				
Frequency of major releases into the environment (Major release = greater than 100 m^3 of liquid hydrocarbon)		0 releases; assessed via reported incidents and year by year improvement				
Canadian energy and transportation markets are working well		Adequate oil and natural gas pipeline capacity in place; similar Canadian and US energy markets have equivalent pricing; pipeline companies provide services which meet the needs of shippers				
Program Activity	**Expected Results**	**Forecast Spending (million $)**	**Planned Spending (million $)**			**Alignment to Gov't of Canada Outcomes**
		2008-09	**2009-10**	**2010-11**	**2011-12**	
Energy Regulation	• NEB-regulated facilities and activities are safe and secure, and are perceived to be so • NEB-regulated facilities are built and operated in a manner that protects the environment • Canadians benefit from efficient energy infrastructure and markets • The rights and interests of those affected by NEB-regulated facilities and activities are respected	47.4	32.8	27.0	27.0	Strong economic growth
Energy Information	• Canadians benefit from efficient energy infrastructure and markets	NA	11.6	9.7	9.7	
	Total	47.4	44.4	36.7	36.7	

Contribution of Priorities to Strategic Outcome

Operational Priorities

Priorities	Type	Link to Strategic Outcome	Description
Demand for new and enhanced regulatory programs	New	SO-1	In order to be able to continue to meet its purpose, the NEB is working to meet the demand for new and enhanced regulatory programs by: • Extending the NEB's risk-based lifecycle management system that is in place for safety, security and protecting the environment to encompass the rights and interests of those affected by NEB-regulated facilities and activities, and toll and tariff regulation. The rights and interests program will be based on the outcomes from the NEB's Land Matters Consultation Initiative (LMCI) conducted in 2008-2009.* • Providing an enhanced Aboriginal engagement program in order to enable effective participation in NEB processes and to contribute to the federal government's obligations.* • Improving the legislative framework in the North by working with partners including Indian and Northern Affairs Canada (INAC) and Natural Resources Canada (NRCan) to update the COGO and CPR Acts.
Improve regulatory processes	Previously committed to	SO-1	In order to ensure that the NEB's regulatory processes are effective and efficient, the NEB is committed to the following initiatives: • Promoting safety and integrity through sharing of information, effective reporting and clarification of expectations of safety and pipeline integrity programs. • Continuing to update and modernize regulations and streamlining regulatory processes where possible. • Continuing to implement the risk-based lifecycle management system.
Build partnerships for regulatory efficiency and effectiveness	Previously committed to	SO-1	Building partnerships with other organizations and stakeholders is a key factor in achieving improved regulatory efficiency and effectiveness. The NEB will continue to build more effective partnerships through initiatives such as: • Focusing efforts to build partnerships and coordinate with departments that work directly with the NEB, including NRCan, the Major Projects Management Office, the Canadian Environmental Assessment Agency (CEA Agency), and INAC. • Partnering with federal, provincial and territorial regulators to provide technical expertise, and to streamline regulatory processes to meet common objectives.
Effective engagement in NEB processes	Previously committed to	SO-1	• Through LMCI, input was received relating to policy matters within the mandate of NRCan, including participant funding. If NRCan decided to pursue this item, then the NEB would work with NRCan to assess, and, if appropriate, implement any changes with respect to participant funding.
* Implementation is dependent on NEB request for funding to Treasury Board for 2010 onward (to be submitted in 2009); details are contained in Expenditure Profile section.			

Management Priorities

Priorities	Type	Link to Strategic Outcome	Description
Employee planning and development	Previously committed to	SO-1	Considerable expertise is required throughout the organization to carry out the NEB's mandate. A high level of activity and new and more complex projects combined with a competitive labour market has made it challenging for the NEB to attract and retain its employees while maintaining knowledge within the organization. The following initiatives are being undertaken to meet this priority: • Completing the implementation of a learning and development framework to facilitate employee learning and retention. • Ensuring appropriate resources are in place to support knowledge transfer and organizational improvement.
Improved corporate effectiveness	Previously committed to	SO-1	The NEB is working to improve a number of corporate processes that will help to achieve organizational efficiencies by: • Improving financial management (the 2008 Management Accountability Framework (MAF) assessment identified that financial management could be improved). Financial processes will be reviewed and incorporated into the NEB's Quality Management System and work will be undertaken to align financial processes with planning and reporting processes. • Enhancing security and business continuity (the 2008 MAF assessment identified this as an area for improvement). In 2009-2010, a business continuity plan will be implemented. • Integrating quality management principles throughout the organization by increasing staff engagement, completing process documentation, practicing continual improvement and improving executive oversight of the Quality Management System.
Improved information management	Previously committed to	SO-1	Information systems improvements are required in order to regulate effectively in line with the Board's risk-based approach as well as to efficiently manage program records. Initiatives that will be undertaken to address this priority include: • Implementing information management renewal. Various systems require updating or replacing to support program activities and corporate effectiveness. • Developing a company information system to manage data being generated from other information management tools (in support of a risk-based lifecycle approach to the regulation of energy infrastructure).* • Converting Frontier Information Office microfiche holdings to a web-based digital format in order to make this information accessible to clients; required to make information essential to energy development in the North more readily accessible.* • Converting essential records to digital format.*
* Implementation is dependent on NEB request for funding to Treasury Board for 2010 onward (to be submitted in 2009); details are contained in Expenditure Profile section.			

Risk Analysis

In establishing priorities for 2009-2010, the NEB considered **societal and industry trends** that might influence how it carries out its responsibilities and delivers results to Canadians.

- **Volatility of energy markets:** Energy price fluctuations and financial turmoil over the last year are creating considerable economic uncertainty in Canada and internationally. Such volatility creates uncertainty for energy infrastructure development and, consequently, for the pace of pipeline development to connect those resources with markets.
- **Development of new supply sources and access to supplies:** Despite recent economic weakness, global energy demand will continue to grow in the long term, particularly in rapidly developing countries. Conventional petroleum regions are challenged to maintain or increase their level of production. This has contributed to exploration and development moving into unconventional production (oil sands, shale, coalbed methane) and to more remote areas, including northern British Columbia, the Mackenzie Delta, the Beaufort Sea and the Arctic Islands. This creates particular challenges with engagement needs, unique environmental issues, the need for coordination with other regulators and the need to keep pace with advanced technologies as more complex projects emerge. A solid regulatory system will be needed to evaluate, and if necessary, develop these important resources in a safe and environmentally responsible way.
- **Pipeline capacity development:** A pipeline construction boom has developed over the past two years, and is expected to continue at a reduced pace in the face of current economic uncertainties. Although oil prices have fallen, and a number of plans for new projects are being reconsidered, there are oil sands projects still under construction that will be completed in the next few years. Major oil pipelines under construction include Keystone and Alberta Clipper, Southern Lights and the Line 4 Buildback, and this is generating a substantial amount of work for the NEB. On June 17, 2008, TransCanada Pipelines Limited (TransCanada) filed an application with the Board requesting that its pipeline system, NOVA Gas Transmission Ltd., be declared under federal jurisdiction and that the Board issue a Certificate of Public Convenience and Necessity for it under section 52 of the NEB Act. The Board decided to conduct a public hearing process to respond to TransCanada's application; the hearing was held in November 2008. There could be a considerable impact on the NEB depending on the decision made in this proceeding, including a number of complex toll hearings. In summary, there remains considerable pressure on regulators, proponents, and contractors necessary to bring approved pipelines into service.
- **Pressure on labour and capital:** A global boom in infrastructure development and changing demographics has been putting upward pressure on the costs of equipment, materials and labour. The labour market remains very competitive, and not only is the NEB challenged to hire and train qualified personnel, these pressures also affect the quality of work undertaken by the companies it regulates. These pressures have been easing somewhat due to the economic downturn but are still high from a historical vantage point.

- **Environmental concerns:** Environmental concerns around potential pipeline projects, and in particular, on the oil sands have become top-of-mind issues for Canadians. Environmental Non-Governmental Organizations (ENGOs) have been very effective in engaging the public in a debate on these issues. Representatives of government, regulators, producers and ENGOs have all recently expressed a need for reliable, unbiased and timely information to inform the public debate on energy and environmental issues and see the NEB as able to play a role in providing independent and solid information. Compounding the uncertainty with respect to oil sands development are fragmented climate change policies in Canada. Oil sands operators and others are calling for integration and coordination of environmental and energy policies and coherence at a national and continental level.

- **Growing public involvement:** Since the mid-1990s citizen involvement in energy infrastructure development has been growing, whether by landowners, ENGOs, communities or Aboriginal groups. This has been spurred by many factors including an increased awareness of safety, security and environmental issues; increasing demand for energy infrastructure; a greater desire for energy information; and uncertainty around facility abandonment. Aboriginal peoples are to a growing degree involved in proceedings before the Board and their expectations are increasing as the understanding of Aboriginal rights is changing.

Canada's federally regulated pipeline and power line system transports over $100 billion of energy every year in a safe, environmentally sound and economically efficient manner. However, safety and maintaining the physical integrity of pipelines in the industry are concerns as infrastructure ages and industry is challenged to attract and retain experienced staff. The NEB must continue to communicate its expectations on safety to industry and develop appropriate leading safety indicators and ensure transparent reporting and communication by industry to promote a culture of safety within the industry. In addition, the NEB will need to keep informed of new technology and methods being used in remote areas and unconventional production in order to effectively set expectations and monitor safety performance.

There is a need to update regulations under which the NEB operates. A number of regulations, including the Onshore Pipeline Regulations, require updating to reflect learnings since 1999 regarding gaps or lack of clarity; others, such as the COGO Act and CPR Act need to be modernized in order to provide adequate regulatory oversight for increased exploration and production in Canada's frontiers. The NEB also needs to further clarify goal oriented regulation and the risk-based lifecycle approach with industry and other interested parties.

The NEB will have significantly higher expectations placed upon it for public engagement activities. For example, many landowners have expressed concern regarding the impact of pipeline development near or on their land. In the area of Aboriginal engagement, court decisions have furthered the understanding of the obligation of the Crown to consult with Aboriginal people but there is work yet to be completed so that Aboriginal people, project proponents, governments and regulators better understand their respective roles and their contributions to solutions. The success of Crown consultation as coordinated through the

Major Projects Management Office will partly depend on the effectiveness of the NEB's Aboriginal engagement work as well as that of the NEB hearing process itself.

At their best, the NEB's processes enhance trust and understanding among parties and result in agreement that the process was fair. However, the NEB could face eroding trust in its processes if it is unable to deal effectively with new issues, demands and opportunities. The NEB will need to be proactive in its understanding of issues and new activities, partner effectively with other regulators, the CEA Agency and the Major Projects Management Office, and improve public understanding and awareness of the NEB's role and actions.

Capacity and retention of expert knowledge within the NEB are also of concern. Considerable staff expertise is required to carry out the NEB's mandate, and it is challenging to hire and retain staff with current labour market and demographic trends. In addition, changing development trends and new energy technologies require continuous staff education to ensure that the NEB has the appropriate expertise to effectively regulate the industry.

Expenditure Profile

Over 90 percent of the NEB's costs are recovered from the regulated industry. The NEB Act authorizes the Board to charge those companies it regulates costs attributable to the NEB's operations in carrying out its related responsibilities. This process is managed through the Cost Recovery Regulations under the NEB Act. The NEB's financial statements, anticipated expenditures and performance results are presented to the Cost Recovery Liaison Committee, made up of industry's major associations and companies, at regularly scheduled meetings.

In 2007, the NEB submitted a request to Treasury Board for funding to address increased industry activity over the period 2007-2010; this request was fully funded. Due to a sustained and continued requirement for resources to meet workload demand linked to industry activity and other emerging trends, the NEB has assessed that it will require the increase in allocation to be maintained beyond 2010, and will be presenting a business case to Treasury Board to this effect in 2009.

For two priority areas for 2009-2010, the NEB has submitted requests to Treasury Board for funds in order to successfully meet commitments. Under the Operational Priorities, for new and expanded regulatory programs, additional resources are required to implement the land matters regulatory program and enhanced Aboriginal engagement. Under the Management Priorities, for enhanced information management and renewal, resources are required to develop the company information system for the NEB's risk-based lifecycle management system, and to convert the Frontier Information Office microfiche holdings and essential records to digital format. The latter is required to make information essential to energy development in the North more readily accessible to clients.

On June 17, 2008, TransCanada filed an application with the Board requesting that one of its pipeline systems, NOVA Gas Transmission Ltd., otherwise known as the TransCanada Alberta System, be declared under federal jurisdiction and that the Board issue a Certificate of Public Convenience and Necessity for it under section 52 of the NEB Act. The Board

decided to conduct a public hearing process to respond to TransCanada's application; the oral hearing was held in November 2008. Depending on what the decision is, there could be a considerable impact on the NEB. Should the Board determine that the TransCanada Alberta System falls within federal jurisdiction and issue a Certificate, approximately 23,500 km of pipeline and associated compression and other facilities located in Alberta could be added to the roughly 45,000 km of pipeline currently regulated by the Board. This would represent a 50% increase in the amount of pipeline regulated by the NEB. Additional funds to provide regulatory oversight for this system, should it be decided that it falls under federal jurisdiction, will be sought through an application to the Treasury Board.

Spending Trend

(million $)	Forecast Spending 2008-2009	Planned Spending 2009-2010	Planned Spending 2010-2011	Planned Spending 2011-2012
Energy Regulation	46.2	20.7	17.3	17.3
Energy Information	NA	7.3	6.2	6.2
Internal Services	NA	16.4	13.2	13.2
Total Planned Spending	47.4	44.4	36.7	36.7

In 2007, the NEB submitted a request to Treasury Board for funding to address increased industry activity over the period 2007-2010, and this request was full funded. Due to a sustained and continued requirement for resources to meet workload demand linked to industry activity and other emerging trends, the NEB has assessed that it will require an increase in allocation to be maintained after 2010, and will be presenting a business case to Treasury Board to this effect in 2009.

Voted and Statutory Items

Vote # or Statutory Item	Truncated Vote or Statutory Wording	2008-2009 Main Estimates (million $)	2009-2010 Main Estimates (million $)
25	Program Expenditures	41.0	39.4
(S)	Contributions to Employee Benefit Plans	5.2	5.0
	Total	46.2	44.4

Section II
Analysis Of Program Activities

2.1 Strategic Outcome

Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient markets.

The NEB operates and delivers its programs within a framework of five integrated goals:

- NEB-regulated facilities and activities are safe and secure, and are perceived to be so.
- NEB-regulated facilities are built and operated in a manner that protects the environment.
- Canadians benefit from efficient energy infrastructure and markets.
- The rights and interests of those affected by NEB-regulated facilities and activities are respected.
- The NEB delivers quality outcomes through innovation and leadership.

Together, the goals provide the framework for the NEB to achieve its strategic outcome. The goals also identify expected results for the NEB program activities and have related measures and targets.

As part of the goal and program-related measures and targets, the NEB has established service standards which identify specific delivery targets or timelines for key services. Meeting service standard targets consistently and with quality results reflects the NEB's commitment to efficient and effective regulatory processes.

The NEB's Strategic Plan outlines the NEB's vision and purpose, and provides the structure for the goals framework. More information on the Strategic Plan and NEB service standards is available on the NEB's website (http://www.neb-one.gc.ca).

2.2 Program Activities

The NEB has two main program activities: Energy Regulation and Energy Information. In addition, an Internal Services program activity provides support services such as the management of human resources, finance, and information technology. The following sections provide detail on the program activities, including how expected results will be achieved and the financial and non-financial resources required by each.

2.2.1 *Program Activity: Energy Regulation*

Program Activity Summary

This program provides the Canadian public, project proponents and other government agencies with regulation of international and designated inter-provincial power lines; construction, operation, and tolls and tariffs on international and inter-provincial pipelines; energy trade; and exploration and development in certain frontier and offshore areas. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework which allows these economic activities to occur when they are in the public interest. The public interest is inclusive of all Canadians and refers to a balance of economic, environmental and social interests that change as society's values and preferences evolve over time. The NEB's regulatory outcomes focus on safe, secure and economically efficient infrastructure that is built and operated in a manner that protects the environment.

The **Energy Regulation** program has two sub-program activities:

- **Energy Regulation Development:** This program provides the regulatory expectations for applications and compliance with regulatory decisions. In order to make decisions in the Canadian public interest and to provide regulatory leadership that is responsive, proactive and innovative, the NEB must continually develop, improve and communicate regulations, regulatory and compliance tools, guidance, and processes. Related activities include developing and maintaining Memorandums of Understanding and related workplans, providing regulatory and technical expertise through standards associations, and sharing best practices.
- **Energy Regulation Implementation:** This program provides assessment and processing of regulatory applications submitted under the Acts administered by the NEB. It also provides regulatory oversight of energy infrastructure and markets through monitoring and enforcement activities. Responsibilities are pursuant to the NEB Act, COGO Act, CPR Act and the Canada Labour Code. Related services include stakeholder engagement and liaison, addressing landowner complaints, and facilitating appropriate dispute resolution.

Energy Regulation Program					
Human Resources (FTEs) and Planned Spending (million $)					
2009-2010		2010-2011		2011-2012	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
162.1	20.7	139.8	17.3	139.8	17.3

Energy Regulation Program: Expected Results:	
• NEB-regulated facilities and activities are safe and secure, and are perceived to be so • NEB-regulated facilities are built and operated in a manner that protects the environment • Canadians benefit from efficient energy infrastructure and markets • The rights and interests of those affected by NEB-regulated facilities and activities are respected	
Performance Indicators	**Targets**
Companies have adequate and effectively implemented safety, integrity and environmental management systems and programs	100% of companies regulated by the NEB have safety, integrity and environmental systems and programs in place
Percent of planned compliance activities completed	100% of planned compliance activities are completed
Public perception of pipeline safety (assessed through a proposed survey to be conducted every three years)	Establish a baseline for the level of public perception of pipeline safety
Public satisfaction with environmental protection (assessed through a proposed survey to be conducted every three years)	Establish a baseline for the level of public satisfaction with environmental protection for activity related to energy infrastructure development
The Board's regulatory processes are measurably efficient and effective	All NEB service standards for its regulatory services are met (service standards are available on the NEB's internet site at: http://www.neb-one.gc.ca under "Who we are and our governance")
Percent of planned financial regulatory audits completed	100% of planned financial regulatory audits are completed
The rights and interests of those affected by NEB-regulated facilities and activities are respected • Stakeholders are satisfied with NEB processes, information and interaction	Majority of stakeholders are satisfied with NEB processes, information and interaction

Planning Highlights

The Energy Regulation program has four Expected Results. The NEB has identified key objectives and related activities to achieve each result in the planning period.

Energy Regulation Program Expected Result:
NEB-regulated facilities and activities are safe and secure, and are perceived to be so

The Board follows a risk-based lifecycle approach for ensuring that companies have adequate and effectively implemented safety and integrity management systems and programs. Regulated companies have the primary responsibility for safety and environmental protection as they design, build and operate their facilities, while the NEB is responsible for setting the regulatory framework that enables the achievement of its safety, security and environmental protection goals. By using a risk-based lifecycle approach and its suite of regulatory tools, the NEB can verify that companies identify and effectively manage the safety, security, environmental, socio-economic and land risks posed by their facilities throughout their lifecycle.

Objective 1: The NEB will take proactive action to address safety and integrity occurrences

Activities:

- The NEB will promote safety and integrity through the sharing of information and effective reporting.
  - External outreach with industry will be undertaken to share findings and trends from compliance activities, incident investigations and company audits. The NEB will also promote the sharing of company best practices across the industry to support a cycle of continuous improvement.
  - The NEB will work with industry in developing a mandatory reporting structure for safety and integrity data. This initiative will be undertaken to improve reporting by focusing on leading indicators of performance.
- The NEB will conduct a review of NEB regulations on safety and pipeline integrity to ensure regulations are up-to-date and complete. Findings from incident investigations and company audits will be used to clarify expectations of safety and pipeline integrity programs with industry and other stakeholders. Clarification of NEB expectations of safety and integrity program goals will assist NEB-regulated companies to better understand what is required of them to meet compliance expectations.
- The NEB will continue to actively support the development of a Canadian Standards Association (CSA) Security Management Standard for the petroleum and natural gas industry. The Standard will be held and maintained by CSA, and provide guidance and structure for effective security program requirements. The NEB is chairing a CSA Technical committee with industry participants to develop appropriate standards for security programs. The committee has developed a draft standard for public review and the published national standard is expected to be officially released in the fall of 2009.

Objective 2: The NEB will develop information management tools to support the implementation of a risk-based lifecycle approach to the regulation of energy infrastructure

Activities:

- The NEB will develop a company information system for NEB-regulated companies. With data currently being generated from a number of information management tools in support of the risk-based lifecycle approach, a company information system is crucial in order to effectively use the data collected for analysis and decision-making purposes.

Energy Regulation Program Expected Result:
NEB-regulated facilities are built and operated in a manner that protects the environment

In the NEB's regulatory context, environmental protection means that energy infrastructure is designed, built, operated, and abandoned with full consideration of potential environmental effects and applicable regulations. While all environmental impacts cannot be eliminated, the NEB expects industry to use good design practices and effective operational oversight to minimize undesirable environmental consequences of their activities. Effective environmental protection requires early engagement of landowners, Aboriginal

communities, and other stakeholders to ensure that their knowledge and expectations about environmental outcomes are incorporated into project design and processes.

Objective 3: Improve communication of the NEB's performance in minimizing environmental impacts to pipeline rights of way

Activities:

- The NEB will enhance communication and engagement in the environmental protection component of the regulatory program. Learnings gained from engaging ENGOs over the past year will be incorporated to improve the risk-based lifecycle approach to environmental protection. To ensure that appropriate environmental outcomes are incorporated into project design and processes, the Board will continue to communicate expectations to industry about early engagement with stakeholders to ensure that their knowledge and expectations are incorporated. In conjunction with this, the NEB will proactively communicate with industry and stakeholders, so that the Board's expectations are understood for all phases of the energy infrastructure lifecycle.
- The NEB will also focus on communicating its role and performance in minimizing environmental impacts to pipeline rights of way to stakeholders and the Canadian public.

Energy Regulation Program Expected Result:
Canadians benefit from efficient energy infrastructure and markets

The Board strives to ensure that Canadians benefit from efficient energy infrastructure and markets. The Board contributes to this goal through two main mechanisms: regulatory decisions around the construction and operation of energy infrastructure, and the provision of energy market information. The NEB's program for Energy Regulation is focused on the first mechanism, while the NEB's Energy Information Program addresses the provision of energy market information.

Objective 4: Ensure efficient and effective NEB regulatory processes

Activities:

- The NEB intends to make its regulatory processes more efficient and effective by focusing its regulatory oversight where it is most effective over the lifecycle of the infrastructure. In the coming year the Board will complete development and implementation of this risk-based lifecycle approach to regulation as a component of its goal oriented approach to regulation. The NEB's goal oriented approach means that regulated companies are accountable to ensure that their performance meets the NEB's expectations, which are expressed through the NEB's regulations, guidance notes and filing requirements. The risk-based lifecycle component to this approach incorporates the principles of management systems to each phase of a facility's lifecycle from the initial planning and application stages through to abandonment. This approach will enable the NEB's regulatory oversight to be based on the company's past performance and is being implemented through tools such as management system reviews, inspections, investigations and audits. A risk-based lifecycle approach will also enable the NEB to adjust its regulatory processes to fit the scope and risk of facility applications filed before the Board.

- The NEB will update and modernize regulations and continue to streamline regulatory processes where possible. The NEB will also incorporate toll and tariff regulation into its risk-based lifecycle management system approach.
- In order to provide certainty on process timelines, the NEB has established service standards for all of its regulatory processes and is intent on continuing to meet these standards. Over time these standards will be raised through continuous improvement and process streamlining.
- With an increasing interest in the North, the NEB will embark on a multi-year project to convert the frontier microfiche data into an electronic format. This will allow and promote the accessibility of frontier exploration and production data both within Canada and internationally.

Objective 5: Improve efficiency and effectiveness of regulatory processes in partnership with other agencies

Activities:

- As NEB processes are often part of a broader regulatory process, it must work with its partners to achieve regulatory efficiency and effectiveness. For example, the NEB plans to continue to work with INAC and NRCan on changes to improve the legislative framework in the North through amendments to the COGO Act and CPR Act.
- The NEB will continue to support the Major Projects Management Office. The goal of the Major Projects Management Office, operated through NRCan, is to improve coordination within Canada's regulatory system by providing industry with a single, efficient point of entry into federal processes while ensuring that projects are built in a safe manner and the environment is protected.
- Through the NEB's Land Matters Consultation Initiative, input was received relating to policy matters within the mandate of NRCan, including participant funding. If NRCan decided to pursue this item, then the NEB would work with NRCan to assess, and, if appropriate, implement any changes with respect to participant funding. Presently, the NEB is able to provide participant funding only for landowners participating in detailed route hearings, under s. 39 of the NEB Act.
- The NEB will continue to partner with the CEA Agency, the Major Projects Management Office, and other federal, provincial and territorial regulators to develop efficient and effective regulatory processes. The NEB will work collaboratively with its regulatory partners and Aboriginal organizations in the North, and capitalize on any opportunities to streamline regulatory processes.

Energy Regulation Program Expected Result:
The rights and interests of those affected by NEB-regulated facilities and activities are respected

With increasing landowner concerns about the impacts of energy infrastructure development and about their relationship with pipeline companies and the Board, the NEB is working to clarify regulatory expectations for land matters. With the recommendations on land matters that emerged from consultation that the NEB conducted in 2008-2009, the NEB is working to extend the Board's risk-based lifecycle management system requirements to encompass

the rights and interests of those affected by NEB-regulated facilities and activities. At the same time, the NEB will work with landowners to clarify and communicate project review engagement processes. In support of the Crown's obligation to consult, the NEB will also enhance its Aboriginal engagement program to ensure that Aboriginal people understand NEB processes and can effectively participate in those decision-making processes.

Objective 6: Extend the Board's risk-based lifecycle approach – which is in place for safety, security and protecting the environment – to respecting the rights and interests of those affected by NEB-regulated facilities and activities

Activities:

- The NEB will extend its risk-based lifecycle management system that is in place for safety, security and protecting the environment to encompass the rights and interests of those affected by NEB-regulated facilities and activities. The implementation is based on the outcomes from the NEB's Land Matters Consultation Initiative. This step will clarify expectations for land matters by identifying expectations and best practices for consultation and notification processes which companies are expected to apply. It will also provide input for NEB compliance verification of company consultation management systems. Program area activities will relate to company interactions with landowners and improving accessibility of NEB processes to all stakeholders.
- The NEB will incorporate the socio-economic and lands regulation into its risk-based lifecycle approach. This entails setting expectations and developing compliance verification tools on these matters for every stage of the facility lifecycle.

Objective 7: Clarify regulatory expectations for the abandonment phase of the facility lifecycle

Activities:

- The NEB will provide clarification on its regulatory expectations for both financial and physical issues related to the abandonment phase of facility lifecycle. Clarification of regulatory expectations will be based on outcomes from the NEB's Land Matters Consultation Initiative held in 2008-2009.

Benefits to Canadians

The NEB's program for Energy Regulation provides Canadians with regulation of pipelines, international power lines, energy development and trade. The regulatory framework focuses on ensuring Canadians have safe, secure and economically efficient energy infrastructure that is built and operated in a manner that protects the environment. Federally regulated systems transport over $100 billion worth of energy annually to markets in Canada and elsewhere. Regulated companies create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, and through the export of hydrocarbons and electricity. In 2007 the revenue from energy exports from Canada exceeded $90 billion, the majority of which was exported via NEB-regulated systems. The NEB contributes to Canada's strong economic growth by creating a regulatory framework that balances economic activities with the public interest.

2.2.2 *Program Activity: Energy Information*

Program Activity Summary

The NEB's Energy Information program provides the Board, industry, policy makers, and the Canadian public with energy industry information and market surveillance. This includes providing an outlook for supply and demand of energy commodities in Canada to assist in decision-making regarding energy infrastructure and markets by policy makers, industry and the public.

This program meets requirements under Part II of the NEB Act by informing Canadians on energy market developments and issues related to the Board's regulatory mandate, which are primarily in the gas, oil and electricity market sectors, and under Part VI of the NEB Act by providing market analysis to determine whether exports are surplus to Canadian needs and Canadians are able to access energy at fair market prices.

Energy Information Program					
Human Resources (FTEs) and Planned Spending (million $)					
2009-10		2010-2011		2011-2012	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
57.1	7.3	50.1	6.2	50.1	6.2

Energy Information Program Expected Results:	
• Canadians benefit from efficient energy infrastructure and markets	
Performance Indicators	**Targets**
The Board's advice and energy information products are relevant and timely	
• Feedback from internal and external clients on Energy Information Program products via questionnaires after workshops, comments cards with publications, interviews with clients	• Majority of feedback shows that Energy Information Program clients find products useful and relevant
• NEB website provides timely and relevant energy market information	• Meet or exceed visits to content on the NEB website from previous year

Planning Highlights

Through its Energy Information Program, the Board monitors energy markets and provides Canadians with a broad suite of information and analysis in areas primarily related to its mandate. The NEB develops an annually updated plan for this program, ensuring that areas chosen for research and analysis are timely, relevant and linked to its mandate. In the next fiscal year, the Board will be updating its reference case from *Canada's Energy Future: Reference and Scenarios to 2030*, which represents the NEB's long term view of energy supply and demand based on decisions made and on current trends.

Energy Information Program: Expected Result
Canadians benefit from efficient energy infrastructure and markets

In its Energy Information Program, the Board will focus on informing Canadians on energy market developments and issues related to the Board's regulatory mandate, primarily for gas,

oil and electricity market developments. The NEB collects and analyses information about Canadian energy markets through regulatory processes and market monitoring in order to support the Board's regulatory program and to provide public information to support better decisions by policy makers, industry and the public.

Objective 1: Inform Canadians on emerging market issues and regulatory challenges related to the responsible development of infrastructure through the NEB's Energy Information Program

Activities:

- Implement the NEB's annually updated plan for its Energy Information Program. This is comprised of Energy Market Assessments, which provide detailed analyses for aspects of Canada's energy system, briefing notes, public speeches and presentations by Board Members and senior staff, energy pricing information on the NEB website and semi-annual energy market outlooks.
- Develop the Joint Data Initiative with NRCan to improve the quality of Canadian energy data.
- Advance the commodities tracking system to develop an Electronic Data Interchange for energy import and export data.

Benefits to Canadians

The NEB's Energy Information Program contributes to efficient Canadian energy markets, and strong economic growth for Canada, through the sharing and monitoring of energy information. Through this program, policy makers, industry and the Canadian public have access to expert knowledge and energy market information to make informed choices about energy market options. Through its monitoring of energy exports, the Board ensures that Canadian energy users have access to domestically produced energy on terms and conditions at least as favourable as those available to export buyers, and ensures that energy markets are functioning properly.

2.2.3 *Program Activity: Internal Services*

Program Activity Summary

Internal services enable the NEB's mandate by providing, managing and maintaining necessary support services, including overseeing and administering the application of associated legislation and regulations. They include: Management and Oversight, Human Resources Management, Financial Management, Supply Chain Management, Facilities/Asset Management, Information Management, Information Technology, Evaluation Services, and Internal Audit Services.

Internal Services Program					
Human Resources (FTEs) and Planned Spending (million $)					
2009-10		2010-2011		2011-2012	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
128.4	16.4	106.7	13.2	106.7	13.2

Planning Highlights

The NEB's Internal Services program requires sound business management and effective decision-making to ensure that the organization has the people, technology, facilities, records management procedures, and financial resources available to carry out its mandate.

Internal Services Program: Expected Result
The NEB delivers quality outcomes through innovation and leadership

The NEB has identified several priorities related to achieving the program's Expected Result in 2009-2010.

Objective 1: Ensure the NEB has the necessary capacity to fulfill its mandate

The NEB mandate requires employees with considerable skills and expertise in specialized areas. Employee planning and development initiatives are required to ensure the NEB can recruit, retain and develop its employees while maintaining knowledge within the organization. The NEB plans to complete the implementation of a learning and development framework to facilitate employee learning, career development and retention in 2009-2010. In addition, staffing processes will be streamlined, including a renewal of the classification system for NEB positions.

The NEB is also focusing on improving its corporate processes by building capacity, enhancing the quality of its services and ensuring that its services are conducted in a timely and cost-effective manner for Canadians. Improvement to the NEB's financial management system and it business continuity plan are two activities planned for 2009-2010 related to improving corporate efficiency. Financial and human resources processes will be incorporated into the NEB's Quality Management System to ensure process consistency and knowledge maintenance.

Objective 2: Integrate quality management principles throughout the organization

In previous planning periods, the NEB implemented a Quality Management System based on the ISO 9000 Standard as part of its commitment to remain a respected leader in energy regulation. Quality management ensures that NEB processes and accountabilities are documented and consistently followed in order to identify process efficiencies, enhances knowledge transfer between employees and provides a means to effectively measure improvement. The NEB has an operational quality management system, but now must fully integrate the underlying quality management principles into all that it does. In 2009-2010, the NEB plans to achieve this through increasing engagement of all staff by raising their awareness and understanding of the benefits of quality management, completing process documentation, practicing continual improvement, and improving executive oversight of the quality management system.

Objective 3: The NEB is a top employer

The NEB has struggled with high attrition rates in a very competitive market and has developed and implemented several initiatives to improve its competitiveness. These efforts are yielding results and recently the NEB was recognized as one of Canada's Top 100 employers for 2008 in a study conducted by a national newsmagazine. The criteria assessed

included work atmosphere, family benefits, vacation time and performance management. The NEB is committed to maintaining a work environment that allows it to be recognized as a top employer in Canada. Aspects of this positive work environment include: a commitment to recognizing innovation and leadership at all levels of the organization; promoting a balance between professional and personal life; supporting career, family and personal goals; helping employees reach their full potential; and promoting NEB values and culture everyday. Employee satisfaction measures, along with recognition from outside the organization, will be key indicators of the NEB's success in maintaining a highly skilled and highly motivated workforce.

Section III
Supplementary Information

Financial Information

Table 1
Departmental Planned Spending and Full Time Equivalents

(million $)	Forecast Spending 2008-2009	Planned Spending 2009-2010	Planned Spending 2010-2011	Planned Spending 2011-2012
Energy Regulation	46.2	20.7	17.3	17.3
Energy Information	NA	7.3	6.2	6.2
Internal Services	NA	16.4	13.2	13.2
Budgetary Main Estimates (gross)	46.2	44.4	36.7	36.7
Total Main Estimates	**46.2**			
Supplementary Estimates	0.4			
Operating budget carry forward	1.6			
Other				
MacKenzie Gas Project	-0.8			
Total Planned Spending	**47.4**	**44.4**	**36.7**	**36.7**
Total Planned Spending	47.4	44.4	36.7	36.7
Less: Non-Respendable revenue	48.5	45.8	38.3	38.3
Plus: Cost of services received without charge	6.5	6.5	5.9	5.9
Net cost of Program	**5.4**	**5.1**	**4.3**	**4.3**
Full Time Equivalents	**347.6**	**347.6**	**296.6**	**296.6**

In 2007, the NEB submitted a request to Treasury Board for funding to address increased industry activity over the period 2007-2010, and this request was fully funded. Due to a sustained and continued requirement for resources to meet workload demand linked to industry activity and other emerging trends, the NEB has assessed that it will require an increase in allocation to be maintained after 2010, and will be presenting a business case to Treasury Board to this effect in 2009.

The following table is available on the Secretariat's website:

Table 2 - Sources of Respendable and Non-Respendable Revenue

http://www.tbs-sct.gc.ca/estsd-bddc/index-eng.asp

NEB Organizational Structure

The Board structure consists of five business units, reflecting major areas of responsibility: Applications; Operations; Strategy and Analysis; People and Communication Services and Corporate and Information Solutions. In addition, the Executive Office includes the specialized services of Legal Services and Office of the Secretary's regulatory services[2]. The reporting structure is outlined in Figure 1:

Figure 1
NEB Organizational Structure

2 Legal Services is accountable to the Chair and Board Members for the provision of legal advice. It is accountable to the Chief Operating Officer for the NEB's operations and administrative matters.